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# Transcript of James Dondero, Volume 2

**Date:** May 12, 2021

**Case:** UBS Securities LLC, et al. -v- Highland Capital Management, L.P.

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Conducted on May 12, 2021

1 (268 to 271)

<p>268</p> <p>1 IN THE UNITED STATES BANKRUPTCY COURT</p> <p>2 FOR THE NORTHERN DISTRICT OF TEXAS</p> <p>3 DALLAS DIVISION</p> <p>4 -----X</p> <p>4 In re : Chapter 11</p> <p>5 HIGHLAND CAPITAL MANAGEMENT, L.P., Case No:</p> <p>6 Debtor : 19-34054-SGJ11</p> <p>7 -----:</p> <p>8 UBS SECURITIES LLC and UBS AG : Adversary No.</p> <p>9 LONDON BRANCH, : 21-03020-sgi</p> <p>10 Plaintiffs, :</p> <p>11 vs. :</p> <p>12 HIGHLAND CAPITAL MANAGEMENT, L.P.:</p> <p>13 Defendant. :</p> <p>14 -----X</p> <p>15</p> <p>16 CONTINUED DEPOSITION OF JAMES DONDERO</p> <p>17 VOLUME II</p> <p>18 APPEARING REMOTELY FROM DALLAS, TEXAS</p> <p>19 WEDNESDAY, MAY 12, 2021</p> <p>20 9:30 A.M. EST</p> <p>21</p> <p>22 Job No.: 372911</p> <p>23 Pages 268 - 344</p> <p>24 Reported by: Adrienne Mignano, RPR</p> <p>25 Appearing remotely</p>	<p>270</p> <p>1 A P P E A R A N C E S</p> <p>2</p> <p>3 ON BEHALF OF PLAINTIFFS:</p> <p>4 ANDREW CLUBOK, ESQUIRE</p> <p>5 SARAH TOMKOWIAK, ESQUIRE</p> <p>6 KATHRYN GEORGE, ESQUIRE</p> <p>7 LATHAM &amp; WATKINS LLP</p> <p>8 555 Eleventh Street, NW</p> <p>9 Suite 1000</p> <p>10 Washington, District of Columbia 20004</p> <p>11 (202) 637-2200</p> <p>12</p> <p>13</p> <p>14 ON BEHALF OF DEFENDANT-HIGHLAND CAPITAL MGMT.</p> <p>15 ROBERT FEINSTEIN, ESQUIRE</p> <p>16 JOHN MORRIS, ESQUIRE</p> <p>17 GREGORY DEMO, ESQUIRE</p> <p>18 JEFFREY POMERANTZ, ESQUIRE</p> <p>19 PACHULSKI STANG ZIEHL &amp; JONES</p> <p>20 780 Third Avenue</p> <p>21 34th Floor</p> <p>22 New York, New York 10017</p> <p>23 (212)561-7700</p> <p>24</p> <p>25</p>
<p>269</p> <p>1 Continued deposition of JAMES DONDERO, held</p> <p>2 via Zoom videoconferencing, pursuant to Notice, before</p> <p>3 Adrienne M. Mignano, a Registered Professional</p> <p>4 Reporter and a Notary Public in and for the State of</p> <p>5 New York.</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>271</p> <p>1 APPEARANCES (Continued)</p> <p>2</p> <p>3</p> <p>4 ON BEHALF OF WITNESS</p> <p>5 CLAY TAYLOR, ESQUIRE</p> <p>6 BONDS ELLIS EPPICH SCHAFFER JONES, LLP</p> <p>7 420 Throckmorton Street</p> <p>8 Suite 1000</p> <p>9 Fort Worth, Texas 76102</p> <p>10 (817)405-6900</p> <p>11</p> <p>12</p> <p>13 ALSO PRESENT:</p> <p>14 Drew Halton - Videographer</p> <p>15 Joshua Tubbs - Remote Technician</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

Conducted on May 12, 2021

<p style="text-align: right;">272</p> <p style="text-align: center;">C O N T E N T S</p> <p>EXAMINATION OF JAMES DONDERO</p> <p style="text-align: right;">PAGE</p> <p>By Mr. Clubok 275</p> <p>By Mr. Taylor 340</p> <p style="text-align: center;">E X H I B I T S</p> <p style="text-align: center;">(Not Attached to the Transcript)</p> <p>DEPOSITION EXHIBIT</p> <p style="text-align: right;">PAGE</p> <p>Exhibit 32 Transfer agreement between Highland CDO Opportunity Master Fund and Sentinel Reinsurance dated August 24, 2017 306</p> <p>Exhibit 33 Document dated August 24, 2017 309</p> <p>Exhibit 34 Multi Strat Summary Balance Sheet 311</p> <p>Exhibit 35 E-mail from Tara Loiben to Helen Kim 318</p> <p>Exhibit 38 Asset Transfer Agreement 331</p>	<p style="text-align: right;">274</p> <p>Today's date is May 12, 2021. Time on the video monitor is 9:34 a.m. Eastern. The videographer today is Drew Halton, representing Planet Depos. All participants are attending remotely.</p> <p>Would counsel please voice identify themselves and state whom they represent.</p> <p>MR. CLUBOK: On behalf of UBS, Andrew Clubok, Sarah Tomkowiak and Kathryn George of Latham &amp; Watkins, LLP.</p> <p>MR. TAYLOR: On behalf of the deponent, Jim Dondero, Clay Taylor of Bonds Ellis Eppich Schafer &amp; Jones, LLP.</p> <p>MR. FEINSTEIN: On behalf of the defendant, Highland Capital Management, you have got myself, Robert Feinstein; my colleagues, Jeffrey Pomerantz and Greg Demo.</p> <p>THE VIDEOGRAPHER: The court reporter today is Adrienne Mignano, representing Planet Depos.</p> <p>Would the reporter please swear in the witness.</p>
<p style="text-align: right;">273</p> <p>REMOTE TECH: Thank you to everyone for attending this proceeding remotely, which we anticipate will run smoothly. Please remember to speak slowly and do your best not to talk over one another.</p> <p>Please be aware we are recording this proceeding for back-up purposes. Any off-the-record discussions should be had away from the computer. Please remember to mute your mic for those conversations.</p> <p>Please have your video enabled to help the reporter identify who is speaking. If you are unable to connect with video and are connecting via phone, please identify yourself each time before speaking.</p> <p>I apologize in advance for any technical-related interruptions. Thank you.</p> <p>THE VIDEOGRAPHER: Here begins Volume II, Tape Number 1 in the videotaped deposition of James Dondero in the matter of UBS Securities, LLC, et al., versus Highland Capital Management, LP, in the U.S. Bankruptcy Court, Northern District of Texas, Dallas Division, Chapter 11, Case Number 19-34054-SGJ11, and Adversary Proceeding Number 21-03020-SGJ.</p>	<p style="text-align: right;">275</p> <p>Whereupon,</p> <p style="text-align: center;">JAMES DONDERO,</p> <p>having been recalled as a witness and having been duly sworn or affirmed to testify to the truth, the whole truth, and nothing but the truth, was examined and testified as follows:</p> <p>EXAMINATION BY COUNSEL FOR THE PLAINTIFF</p> <p>BY MR. CLUBOK:</p> <p>Q Mr. Dondero, when we left off before, we had been talking about the cash that was transferred as part of the purchase of the legal liability insurance policy that we have been discussing. Do you remember that?</p> <p>A Yes.</p> <p>Q And I've got up here what's been marked as Exhibit 2, which is the purchase agreement. And, specifically, we're looking at Schedule A, which identifies the assets that were transferred as payment of the premium for the insurance policy. Do you see that?</p> <p>A Yes.</p> <p>Q And just going to the cash very quickly, it looks like there was approximately \$539,000 in cash that's identified sort of in the bottom middle of the page under Highland CDO</p>

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Conducted on May 12, 2021

<p>276</p> <p>1 Opportunity Fund. I just highlighted it for you.</p> <p>2 Do you see that?</p> <p>3 A Yes.</p> <p>4 Q And then there was another \$599,000</p> <p>5 that's marked "Re: Survios interest." It's also</p> <p>6 referenced on this same page, right?</p> <p>7 A Yes.</p> <p>8 Q And that adds up to about \$1.1 million,</p> <p>9 correct?</p> <p>10 A Yes.</p> <p>11 Q And then there is also a \$7.7 million</p> <p>12 entry for cash that's part of the transfer from</p> <p>13 Highland CDO Opportunity Master Fund to pay for</p> <p>14 the premium, correct?</p> <p>15 A Yes.</p> <p>16 Q And that 7.7 added to 1.1 gets you</p> <p>17 about \$8.8 million, correct?</p> <p>18 A If you're asking me does that</p> <p>19 addition -- I can't testify whether they should be</p> <p>20 added together or they aren't included already in</p> <p>21 that number, but if you're asking does, you know,</p> <p>22 7 million and change plus one and change equal</p> <p>23 eight and change, the math is correct.</p> <p>24 Q Okay. And then there is another entry</p> <p>25 for cash under CDO Opportunity Fund on the same</p>	<p>278</p> <p>1 of all, you signed this document, correct?</p> <p>2 A Yes.</p> <p>3 Q And just looking at it on its face, are</p> <p>4 you saying you have no way to tell whether or not</p> <p>5 the cash that's reflected in what I have currently</p> <p>6 highlighted that says \$2.399 million promissory</p> <p>7 note, Dugaboy, and cash of 599, and has a total of</p> <p>8 2.9995 -- you have no idea one way or the other</p> <p>9 whether that total, which includes about 600,000</p> <p>10 cash is separate from this other entry that says</p> <p>11 7.779 in cash?</p> <p>12 That's what you're testifying to?</p> <p>13 A That's correct.</p> <p>14 Q And do you think that that cash also --</p> <p>15 you have no idea if that cash is separate and</p> <p>16 distinct from this 2.349 million that is listed</p> <p>17 under Highland CDO Opportunity Fund?</p> <p>18 A That appears to be separate. But,</p> <p>19 again, I'm not the -- I'm not the accountant.</p> <p>20 Q Right. And you made no effort to</p> <p>21 consider the values of the assets that you were</p> <p>22 signing off to be transferred in satisfaction of</p> <p>23 the \$25 million premium; is that correct?</p> <p>24 MR. TAYLOR: Objection. Form. The --</p> <p>25 Q It -- okay. Let me ask it again.</p>
<p>277</p> <p>1 page. It's about 2.3 million, right?</p> <p>2 A Yes.</p> <p>3 Q And so 8.8 plus 2.3 is a little -- is</p> <p>4 over 11.1, either 11.1 to 11.2 million in cash</p> <p>5 total reflected on this page with the four</p> <p>6 separate entries, correct?</p> <p>7 A Same answer. If -- your math is</p> <p>8 correct in terms of adding those numbers. But</p> <p>9 whether or not they should be added or aren't</p> <p>10 already included in this -- like in the 7.7, I</p> <p>11 can't testify to. I don't know.</p> <p>12 Q Well, when we look up we see that there</p> <p>13 is one entry that says, Highland Gemini Program</p> <p>14 (Pollux) \$2.399 million promissory note and cash</p> <p>15 of 599,000 - Re: Survios interest. And there is a</p> <p>16 total there of 2.999995.</p> <p>17 Do you see that?</p> <p>18 A I do, but I'm just saying that it is</p> <p>19 not clear to me that the 599 is not included in</p> <p>20 the cash below. I'm not the accountant. I -- and</p> <p>21 these statements aren't clear, so I don't want</p> <p>22 to --</p> <p>23 Q It --</p> <p>24 A I don't want to testify to that.</p> <p>25 Q Looking at this document -- well, first</p>	<p>279</p> <p>1 Fair to say that prior to signing off</p> <p>2 on the transfer of all these assets reflected on</p> <p>3 Schedule A in satisfaction of the premium for the</p> <p>4 legal liability insurance policy we have been</p> <p>5 discussing, you made no effort to assess the</p> <p>6 actual fair market value of the total assets,</p> <p>7 correct?</p> <p>8 A Yes. I -- that's correct. I relied on</p> <p>9 Scott Ellington, you know. And I think what this</p> <p>10 deposition has shown is, you know, I had a</p> <p>11 different general understanding, but the</p> <p>12 transaction morphed over time.</p> <p>13 Q You, by the way, are the -- you are an</p> <p>14 owner of Gov Re, correct?</p> <p>15 MR. TAYLOR: Objection. Form.</p> <p>16 Q Sorry. You are an owner of Governance</p> <p>17 Re, Limited, correct?</p> <p>18 A I believe so.</p> <p>19 Q And so where it says there is this</p> <p>20 \$2.157 million promissory note from Governance Re,</p> <p>21 Limited, that is an affiliated entity to you,</p> <p>22 correct?</p> <p>23 A I believe so.</p> <p>24 Q How much ownership do you have in</p> <p>25 Governance Re, Limited?</p>

Conducted on May 12, 2021

<p>280</p> <p>1 A I do not know.</p> <p>2 Q Roughly.</p> <p>3 A I would guess -- I would guess -- I do</p> <p>4 not know. I -- you know, generally, most of those</p> <p>5 entities, old entities, are 75 percent me, 25</p> <p>6 percent Marco, but I don't know for sure.</p> <p>7 Q Okay. Your -- and in terms of the</p> <p>8 Dugaboy Investment Trust, you are an owner of</p> <p>9 that, right?</p> <p>10 A It is a -- it is a trust. I think I'm</p> <p>11 a beneficial owner until my death.</p> <p>12 Q And are you the sole beneficial owner</p> <p>13 until your death of the Dugaboy Investment Trust?</p> <p>14 A It is -- I don't -- I believe I'm the</p> <p>15 sole beneficiary. It is not -- I'm not the owner,</p> <p>16 but I'm the sole beneficiary, I believe, until my</p> <p>17 death, yes.</p> <p>18 Q Okay. You're the sole beneficiary of</p> <p>19 the Dugaboy Investment Trust until your death,</p> <p>20 correct?</p> <p>21 A I believe so.</p> <p>22 Q And so that would also be an affiliated</p> <p>23 entity to you in context of this transaction,</p> <p>24 correct?</p> <p>25 A Yes.</p>	<p>282</p> <p>1 general awareness other than a general</p> <p>2 understanding that they reviewed numerous ones.</p> <p>3 Q You say they review -- you say they --</p> <p>4 do you have a specific awareness that they have</p> <p>5 reviewed numerous other legal liability insurance</p> <p>6 policies to consider whether to issue them?</p> <p>7 A Yeah. Yes. I mean, the answer is yes.</p> <p>8 They --</p> <p>9 Q Okay. Can you name a single one that</p> <p>10 Sentinel Re has ever reviewed?</p> <p>11 A I can't remember the names, but there</p> <p>12 were judgments out of Canada that they funded or</p> <p>13 were considering structuring policies on that they</p> <p>14 were working on as part of the SAS platform.</p> <p>15 I know there was -- I know there was</p> <p>16 numerous funding or -- of litigation or sharing of</p> <p>17 litigation in multiple cases around the world on</p> <p>18 the SAS platform, and they were considering -- and</p> <p>19 they would consider doing some of the funding via</p> <p>20 insurance products through Sentinel.</p> <p>21 So I know they -- I know they were -- I</p> <p>22 know they looked at and considered similar-type</p> <p>23 structures. But, again, I wasn't the person</p> <p>24 directly involved with that stuff. That was</p> <p>25 all --</p>
<p>281</p> <p>1 Q Do you -- I asked you before about</p> <p>2 Sentinel Re's history of issuing policies. And we</p> <p>3 know now that the insurance policy at issue in</p> <p>4 this case is entitled A Legal Liability Insurance</p> <p>5 Policy.</p> <p>6 My question to you is: In the history</p> <p>7 of Sentinel Re, are you aware of them ever issuing</p> <p>8 a legal liability insurance policy other than the</p> <p>9 one that we have been discussing in this</p> <p>10 deposition?</p> <p>11 A I don't have specific awareness.</p> <p>12 Q Do you have general awareness of</p> <p>13 Sentinel Re ever issuing a legal liability</p> <p>14 insurance policy other than the one that is at</p> <p>15 issue in this case?</p> <p>16 A My general awareness is they evaluated</p> <p>17 and considered similar-type policies, but I'm</p> <p>18 not -- I don't have specific awareness that they</p> <p>19 consummated other ones.</p> <p>20 Q Do you have any awareness, general or</p> <p>21 otherwise, that they have ever actually issued</p> <p>22 another legal liability insurance policy other</p> <p>23 than the one in this case; yes or no?</p> <p>24 A I don't know. I don't have specific --</p> <p>25 I don't have specific awareness or other -- or</p>	<p>283</p> <p>1 Q How do you know that they did that?</p> <p>2 A Because I would -- it would be</p> <p>3 conversations with Ellington.</p> <p>4 Q So Scott Ellington told you in words or</p> <p>5 substance that Sentinel Reinsurance considered on</p> <p>6 numerous occasions entering into a legal liability</p> <p>7 insurance policy that is similar to the one that</p> <p>8 is at issue in this case?</p> <p>9 A Yes.</p> <p>10 Q And the ones you specifically remember</p> <p>11 in connection with that answer relate to some</p> <p>12 Canadian judgment?</p> <p>13 A Yeah. I mean, that's all I remember.</p> <p>14 But, yeah, there was -- there were judgments out</p> <p>15 of Canada and cases out of Canada that they were</p> <p>16 considering structuring something similar, but --</p> <p>17 Q And were those --</p> <p>18 A -- I don't know the specifics.</p> <p>19 Q Were those judgments in any way</p> <p>20 involving any sort of affiliated entity?</p> <p>21 A No.</p> <p>22 Q What -- who were they involving?</p> <p>23 A I don't know, but it wasn't an -- it</p> <p>24 wasn't an affiliated entity.</p> <p>25 Q And there was -- was this one occasion</p>

Conducted on May 12, 2021

<p>284</p> <p>1 where they considered issuing, according to you, a</p> <p>2 legal liability insurance policy, or is it many</p> <p>3 different, separate occasions?</p> <p>4 <b>A My recollection is that it was at least</b></p> <p>5 <b>several, but...</b></p> <p>6 Q And all related to Canadian judgments?</p> <p>7 <b>A No. I -- no. That's the one I</b></p> <p>8 <b>remember, but I know there were -- there was a</b></p> <p>9 <b>lightbulb case out of the U.S. that they were</b></p> <p>10 <b>considering, and they were trying to come up with</b></p> <p>11 <b>creative structures. I -- there were -- but I</b></p> <p>12 <b>wasn't involved in the details or the assessments</b></p> <p>13 <b>of those.</b></p> <p>14 Q And was the lightbulb case before or</p> <p>15 after this legal liability insurance policy was</p> <p>16 issued?</p> <p>17 <b>A I don't know.</b></p> <p>18 Q Was the Canadian judgment before or</p> <p>19 after this legal liability insurance policy was</p> <p>20 issued?</p> <p>21 <b>A I don't know.</b></p> <p>22 Q When was the last time you recall ever</p> <p>23 hearing that Sentinel Reinsurance was considering</p> <p>24 issuing a legal liability insurance policy other</p> <p>25 than the one that is at issue in this case?</p>	<p>286</p> <p>1 <b>that it was owned by offshore entities, but there</b></p> <p>2 <b>was some participation.</b></p> <p>3 Q Okay.</p> <p>4 <b>A There was some participation that I had</b></p> <p>5 <b>in it.</b></p> <p>6 Q You have roughly 70 percent</p> <p>7 participation in the economic benefits of SAS;</p> <p>8 isn't that true?</p> <p>9 <b>A I don't know exactly, but I -- I don't</b></p> <p>10 <b>know exactly, but, I mean, that would seem</b></p> <p>11 <b>reasonable to me.</b></p> <p>12 Q Okay. And SAS is in the business of</p> <p>13 funding litigation, not insuring against</p> <p>14 litigation losses, correct?</p> <p>15 <b>A I think funding and joint venturing</b></p> <p>16 <b>litigation is in a broad sense, which sometimes</b></p> <p>17 <b>includes structures that are insurance or resemble</b></p> <p>18 <b>insurance.</b></p> <p>19 Q Okay. So the only other policies that</p> <p>20 you believe SAS -- sorry.</p> <p>21 The only other insurance policies that</p> <p>22 you can think of that Sentinel Re ever considered</p> <p>23 issuing in connection with the legal world, or</p> <p>24 legal liability, I should say, relates to deals</p> <p>25 that were being considered by SAS, another</p>
<p>285</p> <p>1 <b>A I don't know.</b></p> <p>2 Q Roughly.</p> <p>3 <b>A I don't know. I don't remember. Years</b></p> <p>4 <b>ago, but I don't remember when.</b></p> <p>5 Q You just testified that you believed</p> <p>6 that the -- sorry.</p> <p>7 You just testified that when you heard</p> <p>8 about the Sentinel Reinsurance potential policies</p> <p>9 relating to the Canadian judgments, they were</p> <p>10 working on as part of the SAS platform, is what</p> <p>11 you said.</p> <p>12 What did you mean by that?</p> <p>13 <b>A I believe the -- most of the litigation</b></p> <p>14 <b>funding or joint venturing of litigation that</b></p> <p>15 <b>Scott was working on was done off the SAS</b></p> <p>16 <b>platform.</b></p> <p>17 Q And you own approximately 70 percent of</p> <p>18 SAS, ultimately, correct?</p> <p>19 <b>A I believe that's -- oh, I -- no, no,</b></p> <p>20 <b>no. Wait. The SAS platform is separate from the</b></p> <p>21 <b>Sentinel platform. You know, I saw the org charts</b></p> <p>22 <b>from earlier in the deposition, but my</b></p> <p>23 <b>recollection and my understanding is that because</b></p> <p>24 <b>it was a trader business, it wasn't essentially</b></p> <p>25 <b>owned by U.S. persons. I -- my recollection was</b></p>	<p>287</p> <p>1 affiliated entity, correct?</p> <p>2 <b>A I don't know. I mean, Scott Ellington</b></p> <p>3 <b>is your person to talk to regarding the structure</b></p> <p>4 <b>of -- the structure, the business opportunities,</b></p> <p>5 <b>the alternative and similar business</b></p> <p>6 <b>opportunities. I am -- my involvement was not</b></p> <p>7 <b>direct or frequent.</b></p> <p>8 Q My question is more specific about what</p> <p>9 your actual knowledge is, okay? So listen to my</p> <p>10 question, please. I'll try to say it more</p> <p>11 clearly.</p> <p>12 The only other insurance policies, as</p> <p>13 you sit here today, that you can think of that</p> <p>14 Sentinel Re ever considered issuing in connection</p> <p>15 with legal liability related to transactions that</p> <p>16 were being considered by SAS, which is another</p> <p>17 affiliated entity of yours, correct?</p> <p>18 <b>A The Canadian examples are the only</b></p> <p>19 <b>things I can think of at this moment.</b></p> <p>20 Q And those Canadian examples were SAS</p> <p>21 transactions, which are transactions of another</p> <p>22 affiliated entity of yours, correct?</p> <p>23 <b>A I don't know if SAS is an affiliated</b></p> <p>24 <b>entity. I believe the relationship or the</b></p> <p>25 <b>sourcing of the Canadian opportunity came through</b></p>



Conducted on May 12, 2021

<p>288</p> <p>1 <b>the SAS platform.</b></p> <p>2 Q Okay. And so the only legal liability</p> <p>3 insurance policies that you can ever recall</p> <p>4 Sentinel Re considering, other than the one that</p> <p>5 was issued that has been the subject of this case,</p> <p>6 relate to business being done by SO -- SAS, in</p> <p>7 which you have a, roughly, 70 percent economic</p> <p>8 interest, fair?</p> <p>9 A Source through -- source through SAS,</p> <p>10 which I believe I have a material participation</p> <p>11 interest, I -- yes, I would -- but I need to</p> <p>12 clarify it that way because I don't know.</p> <p>13 Q You don't know the exact interest,</p> <p>14 although you thought it was fair that it might be</p> <p>15 roughly 70 percent, correct?</p> <p>16 A Yes. And, again, I resisted -- I know</p> <p>17 it is not a specific equity interest, you know. I</p> <p>18 think it is a profit sharing, you know, but I</p> <p>19 don't know what comes out of the profit sharing</p> <p>20 before that, you know. It is --</p> <p>21 Q Yeah. Okay.</p> <p>22 A And I don't know what the interest is</p> <p>23 exactly. I don't know if it is a participation,</p> <p>24 but there is some --</p> <p>25 Q Fair to say --</p>	<p>290</p> <p>1 <b>some material interest in it.</b></p> <p>2 Q I understand. But if there is any</p> <p>3 value --</p> <p>4 MR. CLUBOK: Strike that.</p> <p>5 Q You have a substantial economic</p> <p>6 interest in whatever SAS generates?</p> <p>7 A I have a potential participation if</p> <p>8 there is any -- a significant potential</p> <p>9 participation if there is any value there some</p> <p>10 day.</p> <p>11 Q So you have a significant economic</p> <p>12 interest in SA -- in whatever value SAS ultimately</p> <p>13 generates, fair?</p> <p>14 A Close enough, yes.</p> <p>15 Q Okay. And other than SAS, you -- for</p> <p>16 the --</p> <p>17 MR. CLUBOK: Strike that.</p> <p>18 Q Other than transactions that relate to</p> <p>19 SAS deals or the legal liability insurance policy</p> <p>20 that was issued, that's the subject of this case,</p> <p>21 you can't think of any instance where Sentinel Re</p> <p>22 has ever considered another legal liability</p> <p>23 insurance policy, correct?</p> <p>24 A Yes.</p> <p>25 Q Okay. So I want to turn to what's been</p>
<p>289</p> <p>1 A There is some --</p> <p>2 Q Okay. Mr. Dondero --</p> <p>3 MR. TAYLOR: Andy, he has got to be</p> <p>4 able to --</p> <p>5 MR. CLUBOK: Wait, wait, wait. No, no.</p> <p>6 Q For the purposes of trying to get</p> <p>7 through today, I'm going to cut you off if you're</p> <p>8 going off on tangents, and ask you to just focus</p> <p>9 on my questions, okay, just to try to get through</p> <p>10 the last hour here.</p> <p>11 So fair to say you have a substantial</p> <p>12 economic interest in SAS, correct?</p> <p>13 A Economic participation.</p> <p>14 Q Okay.</p> <p>15 A There is --</p> <p>16 Q By "economic participation," you mean</p> <p>17 the right to obtain the economic benefits of</p> <p>18 SAS --</p> <p>19 A If there are -- if --</p> <p>20 Q -- after any -- after expenses?</p> <p>21 A Yeah, if there are any or if there</p> <p>22 ultimately are. But as far as I know, I have</p> <p>23 gotten nothing from it to date, and I don't know</p> <p>24 if there is any residual or equity value in it at</p> <p>25 all, so I don't want to represent that I have got</p>	<p>291</p> <p>1 previously marked as Exhibit 3 if we can put that</p> <p>2 up on the screen.</p> <p>3 REMOTE TECH: Stand by.</p> <p>4 Q Exhibit 3 is a cover e-mail from Shawn</p> <p>5 Raver to Rick Swadley attaching a tax compliance</p> <p>6 memo dated 2017 re: sale of assets to Sentinel.</p> <p>7 Do you see Exhibit -- the first page of</p> <p>8 Exhibit 3?</p> <p>9 A Yes.</p> <p>10 Q Have you ever seen this before?</p> <p>11 A No.</p> <p>12 Q The attachment is --</p> <p>13 MR. CLUBOK: Strike that.</p> <p>14 Q Exhibit 3 consists of this cover e-mail</p> <p>15 that you see on the first page, along with the</p> <p>16 attachment that is a five-page memo from Shawn</p> <p>17 Raver to the Tax Files of Highland Capital</p> <p>18 Management, dated June 30, 2018, Re: Tax</p> <p>19 Consequence of Sentinel Acquisition of HFP/CDO</p> <p>20 Opportunity Assets.</p> <p>21 Do you see that?</p> <p>22 A Yes.</p> <p>23 Q Are you aware that a memo was written</p> <p>24 regarding the tax consequences of the Sentinel</p> <p>25 acquisition of the HFP/CDO Opportunity assets?</p>

Conducted on May 12, 2021

<p>292</p> <p>1 <b>A No.</b></p> <p>2 Q Are you aware that there was a concern</p> <p>3 that the IRS could attempt to characterize the</p> <p>4 transaction as a sham?</p> <p>5 <b>A No.</b></p> <p>6 Q Did you know that CDO and SOHC were at</p> <p>7 significant risk of being held liable to UBS at</p> <p>8 the time of the transaction?</p> <p>9 <b>A No.</b></p> <p>10 Q Was it true that CDO and SOHC were at</p> <p>11 significant risk of being held liable to UBS at</p> <p>12 the time the insurance policy was issued?</p> <p>13 MR. TAYLOR: Objection. Form.</p> <p>14 <b>A Not that I'm aware of.</b></p> <p>15 Q Did you -- when you signed off on the</p> <p>16 insurance policy, did you believe that CDO Fund</p> <p>17 and SOHC were at significant risk of being held</p> <p>18 liable to UBS?</p> <p>19 <b>A No. I believed it was compliance --</b></p> <p>20 <b>compliant, approved by compliance and approved and</b></p> <p>21 <b>structured -- or by the tax department also.</b></p> <p>22 Q Okay.</p> <p>23 <b>A I had no reason to doubt that process</b></p> <p>24 <b>wasn't followed.</b></p> <p>25 Q I didn't ask you about that question,</p>	<p>294</p> <p>1 authorized the transfer of the assets to pay for</p> <p>2 the policy that it was allowing CDO and SOHC to</p> <p>3 obtain legal liability insurance with respect to</p> <p>4 the UBS litigation?</p> <p>5 <b>A I don't -- you know, like I just said,</b></p> <p>6 <b>I don't recall it that way.</b></p> <p>7 Q Did you -- but at the time you</p> <p>8 authorized the transaction, you knew that Sentinel</p> <p>9 was related to the seller entities, correct?</p> <p>10 <b>A Yes.</b></p> <p>11 Q And you knew that there was no</p> <p>12 independence on each side of the transaction at</p> <p>13 the time the policy was issued, correct?</p> <p>14 <b>A That's not true.</b></p> <p>15 Q Oh. So how was -- but Scott Ellington</p> <p>16 provided legal advice to all the parties involved</p> <p>17 in the transaction, correct?</p> <p>18 <b>A Yes.</b></p> <p>19 Q And who acted independently on behalf</p> <p>20 of Sentinel with respect to the transaction, if</p> <p>21 anyone?</p> <p>22 <b>A The independence role would have been</b></p> <p>23 <b>handled through compliance.</b></p> <p>24 Q What do you mean by that?</p> <p>25 <b>A We talked about this significantly the</b></p>
<p>293</p> <p>1 sir, so I'm going to move to strike everything</p> <p>2 after my question. But let me try it again.</p> <p>3 I want you to focus on my question and</p> <p>4 not answer things about what you believed or</p> <p>5 didn't believe that don't respond to my question</p> <p>6 directly.</p> <p>7 At the time you signed off on the legal</p> <p>8 liability insurance policy that's been the subject</p> <p>9 of this proceeding, did you believe that CDO Fund</p> <p>10 and SOHC were at significant risk of being held</p> <p>11 liable to UBS in connection with the litigation</p> <p>12 that was then pending in New York?</p> <p>13 <b>A No.</b></p> <p>14 Q And did you believe when you signed off</p> <p>15 on the legal liability insurance policy that you</p> <p>16 were obtaining \$100 million of liability</p> <p>17 protection for the defendants in the New York</p> <p>18 litigation?</p> <p>19 <b>A I gave -- I gave my -- my recollection</b></p> <p>20 <b>has been different than the documents presented.</b></p> <p>21 <b>Again, I thought it was a transition policy. I</b></p> <p>22 <b>didn't -- it -- I didn't realize it had morphed</b></p> <p>23 <b>specifically to UBS, but it -- in aggregate, it</b></p> <p>24 <b>makes sense based on what we have seen.</b></p> <p>25 Q Did you believe that when you</p>	<p>295</p> <p>1 <b>other day, but when a transaction involves</b></p> <p>2 <b>affiliates, compliance is responsible for</b></p> <p>3 <b>assessing the appropriateness and fairness of the</b></p> <p>4 <b>transaction. And to the extent that independence</b></p> <p>5 <b>or marks or vetting or the transaction changing</b></p> <p>6 <b>from what I thought it was initially, compliance</b></p> <p>7 <b>is the one that, through an iterative process,</b></p> <p>8 <b>usually makes the transaction -- makes sure the</b></p> <p>9 <b>compliance -- makes sure the transaction is</b></p> <p>10 <b>compliant and fair.</b></p> <p>11 Q And by compliance, you mean Thomas</p> <p>12 Surgent and his team?</p> <p>13 <b>A Yes.</b></p> <p>14 Q And yesterday, by the way, just -- you</p> <p>15 said at one point -- or not yesterday, but when we</p> <p>16 previously had the deposition, at one point, you</p> <p>17 said that there were a bunch of guys currently</p> <p>18 working with you who talked to Thomas Surgent.</p> <p>19 Who are those guys that you meant?</p> <p>20 <b>A I still don't remember.</b></p> <p>21 Q When you testified that there are a</p> <p>22 bunch of guys who talk to Thomas Surgent to this</p> <p>23 day, you had no specific people in mind; is that</p> <p>24 correct?</p> <p>25 <b>A Correct.</b></p>



Conducted on May 12, 2021

<p>296</p> <p>1 Q You said you would think about it and</p> <p>2 get back to me and identify those people, and you</p> <p>3 have not done that in the last couple of days?</p> <p>4 A No.</p> <p>5 Q You also said that at the time of the</p> <p>6 policy, you claim that there was buzz around the</p> <p>7 office and a lot of people who were talking about</p> <p>8 it.</p> <p>9 Can you name any of those people at all</p> <p>10 other than Scott Ellington who specifically talked</p> <p>11 about the Sentinel Re insurance policy at the time</p> <p>12 it was being considered?</p> <p>13 A And Thomas Surgent and his team. It</p> <p>14 was a --</p> <p>15 Q But you --</p> <p>16 A I know --</p> <p>17 Q Sorry. You heard Thomas Surgent</p> <p>18 specifically talking about the Sentinel Re</p> <p>19 insurance policy at that time?</p> <p>20 A Well, I knew he was directly involved,</p> <p>21 yes.</p> <p>22 Q You actually heard Thomas Surgent say</p> <p>23 something about the Sentinel Re insurance policy</p> <p>24 at the time it was being considered?</p> <p>25 A Yes. Yeah, I can't remember exactly</p>	<p>298</p> <p>1 Ellington told you. And you are now saying you</p> <p>2 remember getting an update from Thomas Surgent</p> <p>3 about it?</p> <p>4 A No, I mean, not an update because I</p> <p>5 stay away from any kind of involvement or</p> <p>6 interference with compliance so that they can be</p> <p>7 independent, but I knew he was working on it</p> <p>8 and --</p> <p>9 Q No. You said you remember an update</p> <p>10 from Thomas Surgent just two minutes ago.</p> <p>11 A Well -- but the update was that he was</p> <p>12 working on it. I -- again, I know they were both</p> <p>13 working on it, but I wasn't directly involved, and</p> <p>14 nor do I ever get, generally, directly involved</p> <p>15 with compliance unless it is a factual</p> <p>16 misunderstanding, but I let the business people</p> <p>17 handle it with compliance.</p> <p>18 Q In what context did Mr. Surgent give</p> <p>19 you this supposed update? Did you ask him for an</p> <p>20 update? Did he just pop out of his office and</p> <p>21 just bring it up? What was the context of this</p> <p>22 update, James?</p> <p>23 A Again, I talked to him -- was talking</p> <p>24 to him almost every day, and it would be like,</p> <p>25 What are you working on? It would be sometimes</p>
<p>297</p> <p>1 what, but I know he was directly involved and</p> <p>2 directly working on it with Scott Ellington.</p> <p>3 Q What did Mr. Surgent say, if anything,</p> <p>4 about the Sentinel Re insurance policy at the</p> <p>5 time?</p> <p>6 A That they were working on it and trying</p> <p>7 to get it done.</p> <p>8 Q When did he tell you that?</p> <p>9 A On or about when it was being worked</p> <p>10 on.</p> <p>11 Q And in what context? In person?</p> <p>12 A Yeah.</p> <p>13 Q In your office? In his office? In the</p> <p>14 hallway? Where? In a conference room?</p> <p>15 A In the area outside his office.</p> <p>16 Q You were standing in the area outside</p> <p>17 his office and he specifically told you he was</p> <p>18 working on the Sentinel Re insurance policy?</p> <p>19 A Yeah. I mean, I do remember an update</p> <p>20 like that. I -- you know, and historically, I</p> <p>21 used to talk to Thomas almost every day.</p> <p>22 Q I'm sorry. You never mentioned this</p> <p>23 the other day when I asked you repeatedly if you</p> <p>24 remembered anything else at all about anything</p> <p>25 from Sentinel Re other than what Thomas -- Scott</p>	<p>299</p> <p>1 the start of a conversation.</p> <p>2 And I know he would say -- there were</p> <p>3 times where he would say, I'm working on getting</p> <p>4 this Sentinel transaction done.</p> <p>5 Q And did he say anything else beyond</p> <p>6 that?</p> <p>7 A No. I didn't ask. I knew what he --</p> <p>8 Q I'm -- okay. Just please listen to my</p> <p>9 question and just answer my question.</p> <p>10 How many times did he say that he was</p> <p>11 working on this, getting the Sentinel transaction</p> <p>12 done?</p> <p>13 A At least a couple, a few times because</p> <p>14 the Sentinel transaction morphed and changed based</p> <p>15 on the input and adjustments from compliance based</p> <p>16 on what the -- versus what the business people</p> <p>17 were doing or originally intended to do. That is</p> <p>18 why I think --</p> <p>19 Q I -- okay. Stop. Stop. Stop. Stop,</p> <p>20 please, just for purposes of trying to get this</p> <p>21 deposition done.</p> <p>22 My specific question was: How many</p> <p>23 times do you recall Thomas Surgent say to you that</p> <p>24 he was working on getting the Sentinel Reinsurance</p> <p>25 transaction done?</p>

Conducted on May 12, 2021

<p>300</p> <p>1 A At least a couple times.</p> <p>2 Q At least two times?</p> <p>3 A Yes.</p> <p>4 Q And perhaps more?</p> <p>5 A I don't remember. Let me just say, at</p> <p>6 least, a couple times.</p> <p>7 Q And is there anything else that anyone</p> <p>8 other than Scott Ellington ever told you about the</p> <p>9 Sentinel Re insurance, other than Mr. Surgent a</p> <p>10 couple of times say he was working to get it done?</p> <p>11 A No.</p> <p>12 Q Did you tell Mr. Surgent that Sentinel</p> <p>13 Re was a related party?</p> <p>14 A No. I wasn't involved in the process,</p> <p>15 so no, I did not tell him. He never -- he didn't</p> <p>16 ask me. I wasn't involved in the process.</p> <p>17 Q But you expected that Thomas Surgent</p> <p>18 would learn at the time the transaction was being</p> <p>19 considered that Sentinel Re was a related party,</p> <p>20 correct?</p> <p>21 A We talked about this the other -- it</p> <p>22 wouldn't have been in front of him if it wasn't a</p> <p>23 related-party transaction.</p> <p>24 Q My question is: Did you expect Thomas</p> <p>25 Surgent to have learned at the time the</p>	<p>302</p> <p>1 A That is what compliance would have been</p> <p>2 pushing towards.</p> <p>3 Q Right. Your policies at the time would</p> <p>4 have required there to be confirmation that there</p> <p>5 was the equivalent of an arm's-length process to</p> <p>6 set the terms of the insurance policy prior to it</p> <p>7 being agreed upon, correct?</p> <p>8 A That would have been the</p> <p>9 back-and-forth, correct.</p> <p>10 Q And you personally didn't take any</p> <p>11 steps to ensure that those policies were complied</p> <p>12 with, with respect to this insurance policy,</p> <p>13 correct?</p> <p>14 A I was not directly involved.</p> <p>15 Q So you personally did not take any</p> <p>16 steps to ensure that there were policies designed</p> <p>17 to ensure the equivalent of an arm's-length</p> <p>18 process with respect to setting the terms of the</p> <p>19 insurance policy, correct?</p> <p>20 A I did not.</p> <p>21 Q Is that a yes?</p> <p>22 A I'm sorry. I may -- I wasn't paying</p> <p>23 attention. Perhaps --</p> <p>24 Q Okay. Please --</p> <p>25 A Can you rephrase it?</p>
<p>301</p> <p>1 transaction was being considered that Sentinel Re</p> <p>2 was a related party; yes or no?</p> <p>3 A Yes.</p> <p>4 Q Thank you.</p> <p>5 So did Scott Ellington set all the</p> <p>6 terms of the transaction for both sides?</p> <p>7 A I think -- as far as I know, he framed</p> <p>8 the transaction, and then it was an iterative</p> <p>9 approval process through compliance. That's the</p> <p>10 way it would typically work. And that's as far as</p> <p>11 my understanding goes. I wasn't directly</p> <p>12 involved.</p> <p>13 Q Okay. And you don't know whether or</p> <p>14 not there actually was an arm's-length negotiation</p> <p>15 regarding the consideration to be paid for the</p> <p>16 policy, correct?</p> <p>17 A I don't know directly, but I believe it</p> <p>18 would have been in an -- yes, that would have been</p> <p>19 the process.</p> <p>20 Q You believe that -- well, your process</p> <p>21 required there to have been an arm's-length</p> <p>22 negotiation for a policy like this, correct?</p> <p>23 A Or arm's-length equivalent,</p> <p>24 essentially.</p> <p>25 Q Or an equivalent.</p>	<p>303</p> <p>1 Q Sure.</p> <p>2 Sir, you personally did not take any</p> <p>3 steps to ensure that the policies designed to</p> <p>4 confirm the equivalent of an arm's-length process</p> <p>5 with respect to setting the terms of the insurance</p> <p>6 policy were actually followed, correct?</p> <p>7 MR. TAYLOR: Andy, I'm going to</p> <p>8 interject here. Literally, he answered the</p> <p>9 question for you. He said, "No, I did not."</p> <p>10 MR. CLUBOK: I --</p> <p>11 MR. TAYLOR: That is a clear answer.</p> <p>12 MR. CLUBOK: It was just a -- it is</p> <p>13 slightly a double negative, so I just wanted to</p> <p>14 ask it again. I think it -- this is -- I think it</p> <p>15 should be very simple. I'm just trying to get a</p> <p>16 simple yes, so let me just ask it again.</p> <p>17 Q Sir, you personally did not take steps</p> <p>18 to ensure that the policies were -- that were in</p> <p>19 place at the time that were designed to confirm</p> <p>20 the equivalent of an arm's-length process with</p> <p>21 respect to setting the terms of the insurance</p> <p>22 policy were actually followed, correct?</p> <p>23 A I did not take such steps to -- I did</p> <p>24 not take any steps to ensure. I was not involved.</p> <p>25 Q Going back to Exhibit 2 briefly,</p>

Conducted on May 12, 2021

<p>304</p> <p>1 Schedule A.</p> <p>2 MR. CLUBOK: Can we put that back up on</p> <p>3 the screen.</p> <p>4 REMOTE TECH: It should be on screen</p> <p>5 and ready.</p> <p>6 MR. CLUBOK: Okay.</p> <p>7 Q Can you see it, Mr. Dondero?</p> <p>8 A Yep.</p> <p>9 Q Unfortunately, that makes one of us.</p> <p>10 Give me a second here.</p> <p>11 REMOTE TECH: Try hovering over your</p> <p>12 Zoom screen at the bottom, and then --</p> <p>13 MR. CLUBOK: I got it now. Thank you.</p> <p>14 Q Do you see the column that says "Traded</p> <p>15 Shares/Par"?</p> <p>16 A Yes.</p> <p>17 Q Do you have an understanding what that</p> <p>18 means?</p> <p>19 A Yeah. I think there is -- there is</p> <p>20 an -- I do not -- I've never seen this before. I</p> <p>21 believe some of the CLO positions are in shares,</p> <p>22 and then some of them are stated in par value.</p> <p>23 But in neither case would the actual value be the</p> <p>24 number of shares or the par value. There would be</p> <p>25 a trading value that would have to get multiplied</p>	<p>306</p> <p>1 32, which is a document entitled Highland Multi</p> <p>2 Strategy Credit Fund, L.P., Transfer of Limited</p> <p>3 Partner Interest. And it is a transfer agreement</p> <p>4 between Highland CDO Opportunity Master Fund and</p> <p>5 Sentinel Reinsurance dated August 24, 2017.</p> <p>6 Do we have that up?</p> <p>7 REMOTE TECH: It is on screen and</p> <p>8 ready.</p> <p>9 MR. CLUBOK: Okay.</p> <p>10 Q And, sir, have -- that is your</p> <p>11 signature on Exhibit 32, correct?</p> <p>12 A Yes.</p> <p>13 Q And you signed Exhibit 32 and this</p> <p>14 transfer agreement on behalf of Highland CDO</p> <p>15 Opportunity Master Fund and then all the other</p> <p>16 entities that are listed there, including Highland</p> <p>17 Capital Management and Strand Advisors, correct?</p> <p>18 A Yes.</p> <p>19 Q And then the transferee is somebody</p> <p>20 named Christopher Watler, Director of Sentinel</p> <p>21 Reinsurance. Do you know who that is?</p> <p>22 A No.</p> <p>23 Q Have you ever met or heard of him</p> <p>24 before today?</p> <p>25 A I think he signed one of the other</p>
<p>305</p> <p>1 by either the par value or the number of shares to</p> <p>2 get the actual value.</p> <p>3 Q And where would the records for</p> <p>4 those -- for the information necessary to perform</p> <p>5 those calculations be?</p> <p>6 A Highland would have all of those.</p> <p>7 Q Okay. And you would have retained --</p> <p>8 you would -- Highland would have retained all</p> <p>9 those records since August of 2017 if you wanted</p> <p>10 to go find them now?</p> <p>11 A Yeah. At least seven years. And all</p> <p>12 of those are -- they are done at least on a</p> <p>13 monthly basis for all of those securities if not</p> <p>14 more frequently.</p> <p>15 Q Do you -- did you or anyone who works</p> <p>16 for you currently have any access to the Highland</p> <p>17 accounting system?</p> <p>18 A No.</p> <p>19 Q Let's turn to what is behind tab 14,</p> <p>20 which I guess we'll mark as Exhibit 30 -- somebody</p> <p>21 help me. 32.</p> <p>22 REMOTE TECH: Stand by.</p> <p>23 (Deposition Exhibit 32 marked for</p> <p>24 identification.)</p> <p>25 MR. CLUBOK: We're putting up Exhibit</p>	<p>307</p> <p>1 documents we talked about a couple days ago, but I</p> <p>2 haven't met him.</p> <p>3 Q Other than seeing his signature a</p> <p>4 couple days ago during this deposition, had you</p> <p>5 ever heard his name before?</p> <p>6 A No.</p> <p>7 Q The -- as of -- prior to this transfer,</p> <p>8 it appears that Highland CDO Opportunity Master</p> <p>9 Fund had some limited partner interest in Highland</p> <p>10 Multi Strategy Credit Fund, correct?</p> <p>11 A It appears so.</p> <p>12 Q And that was then transferred to</p> <p>13 Sentinel Reinsurance, right?</p> <p>14 A It appears that was, yes, part of the</p> <p>15 asset pool.</p> <p>16 Q So, in other words, Highland CDO</p> <p>17 Opportunity Master Fund's interest in Multi</p> <p>18 Strategy Credit Fund was transferred to an entity</p> <p>19 for which you have approximately 70 percent</p> <p>20 beneficial ownership, correct?</p> <p>21 A Well, it was transferred as part of an</p> <p>22 insurance policy for -- right? For Sentinel,</p> <p>23 right? It wasn't just directly transferred.</p> <p>24 Q Correct. This is part of the payment</p> <p>25 for the insurance policy, correct?</p>

Conducted on May 12, 2021

<p>308</p> <p>1 <b>A Yes.</b></p> <p>2 Q And as part of the payment for the</p> <p>3 insurance policy, the legal liability insurance</p> <p>4 policy that Sentinel issued, that we have been</p> <p>5 discussing, an interest in Multi Strat that was</p> <p>6 previously owned by CDO Fund was transferred to</p> <p>7 Sentinel Reinsurance, correct?</p> <p>8 <b>A Yes.</b></p> <p>9 Q And at the time, you owned</p> <p>10 approximately 70 percent of the beneficial</p> <p>11 interest in Sentinel Reinsurance, right?</p> <p>12 <b>A I ought -- I want to answer that the</b></p> <p>13 <b>way I have answered it before. Yes. I mean --</b></p> <p>14 <b>yes. I --</b></p> <p>15 Q Okay.</p> <p>16 <b>A Yeah. Yes.</b></p> <p>17 Q Okay. And then at the time did you</p> <p>18 make any effort to determine the fair market value</p> <p>19 of that partnership interest in Highland Multi</p> <p>20 Strategy Credit Fund?</p> <p>21 <b>A No. That wasn't -- no, I did not.</b></p> <p>22 <b>That wasn't my role.</b></p> <p>23 Q Where -- does Sentinel still own that</p> <p>24 limited partner interest in Highland Multi</p> <p>25 Strategy Credit Fund, to your knowledge?</p>	<p>310</p> <p>1 by CDO Opportunity Master Fund. And this shows a</p> <p>2 transfer on the same date of an interest in Multi</p> <p>3 Strat by Highland CDO Opportunity Fund, Ltd.,</p> <p>4 correct?</p> <p>5 <b>A Yes.</b></p> <p>6 Q And you signed off on this as well,</p> <p>7 right?</p> <p>8 <b>A Yes.</b></p> <p>9 Q And you made no effort to determine the</p> <p>10 fair market value of this partnership interest in</p> <p>11 Multi Strat before signing off on the transfer as</p> <p>12 part of the insurance agreement, correct?</p> <p>13 <b>A I did not under the belief that process</b></p> <p>14 <b>and the accurate marked to market reflection would</b></p> <p>15 <b>have been done by other people as part of the</b></p> <p>16 <b>transaction. And I believe it was done, so...</b></p> <p>17 Q Okay. I'm going to put up what we're</p> <p>18 going to -- the next document we're going to put</p> <p>19 up and we are going to mark as Exhibit 34 is a</p> <p>20 Multi Strat Summary Balance Sheet.</p> <p>21 MR. CLUBOK: Ms. George, maybe you can</p> <p>22 help identify -- I don't know what tab we used for</p> <p>23 that or how to easily identify that.</p> <p>24 MS. GEORGE: Hold on a sec, please.</p> <p>25 It should be called the Multi Strat</p>
<p>309</p> <p>1 <b>A I'm not aware. I'm not aware if it</b></p> <p>2 <b>sold it or transferred -- I have no awareness</b></p> <p>3 <b>of -- I have no awareness of the current Sentinel</b></p> <p>4 <b>balance sheet.</b></p> <p>5 MR. CLUBOK: Let's turn to tab 14A for</p> <p>6 an exhibit that's marked 33.</p> <p>7 REMOTE TECH: Stand by.</p> <p>8 (Deposition Exhibit 33 marked for</p> <p>9 identification.)</p> <p>10 REMOTE TECH: Exhibit 33 is on screen</p> <p>11 and ready.</p> <p>12 MR. CLUBOK: Okay.</p> <p>13 Q Exhibit 33 is a document that's also</p> <p>14 dated August 24, 2017, that reflects a transfer of</p> <p>15 limited partner interest from Highland CDO</p> <p>16 Opportunity Fund to Sentinel Reinsurance.</p> <p>17 Do you see that?</p> <p>18 <b>A Yes.</b></p> <p>19 Q And Exhibit 33 shows -- by the way,</p> <p>20 when I call -- can I shorthand Highland Multi</p> <p>21 Strategy Credit Fund as Multi Strat and you'll</p> <p>22 understand what I mean?</p> <p>23 <b>A Sure.</b></p> <p>24 Q Okay. So the previous document showed</p> <p>25 a transfer of partnership interest in Multi Strat</p>	<p>311</p> <p>1 Summary Balance Sheet --</p> <p>2 MR. CLUBOK: Okay.</p> <p>3 MS. GEORGE: -- as you described it.</p> <p>4 MR. CLUBOK: Pull up the Multi Strat</p> <p>5 Summary Balance Sheet, please, and we'll mark it</p> <p>6 as Exhibit 34.</p> <p>7 REMOTE TECH: One moment.</p> <p>8 (Deposition Exhibit 34 marked for</p> <p>9 identification.)</p> <p>10 REMOTE TECH: Exhibit 34 is on screen</p> <p>11 and ready.</p> <p>12 MR. CLUBOK: Okay.</p> <p>13 Q Exhibit 34 is a document that you sent</p> <p>14 to me in connection with settlement discussions,</p> <p>15 correct?</p> <p>16 MR. TAYLOR: Andy, we're going to</p> <p>17 reserve any and all rights of your ability to use</p> <p>18 that.</p> <p>19 MR. CLUBOK: Okay.</p> <p>20 Q Mr. Dondero, you recognize Exhibit 34,</p> <p>21 right?</p> <p>22 <b>A Yes.</b></p> <p>23 Q And this is a document that you asked</p> <p>24 someone at Highland to prepare for you to send</p> <p>25 in -- me on behalf of UBS, correct?</p>

Conducted on May 12, 2021

<p>312</p> <p>1 <b>A Yes.</b></p> <p>2 Q And this purports to show the ownership</p> <p>3 or the redemption interest in Multi Strat as of</p> <p>4 today -- or as of October 31, 2020, correct?</p> <p>5 <b>A Yes.</b></p> <p>6 Q And there were -- you listed the top</p> <p>7 six redemption payables outstanding. The first</p> <p>8 one is Quentin Ayers (multiple classes).</p> <p>9 Do you see that?</p> <p>10 <b>A Yes.</b></p> <p>11 Q Who is Quentin Ayers?</p> <p>12 <b>A It is an Australian fund to funds.</b></p> <p>13 Q Are you related in any way to that,</p> <p>14 Quentin Ayers?</p> <p>15 <b>A No.</b></p> <p>16 Q They are completely separate in every</p> <p>17 way, control, economic interest, et cetera, from</p> <p>18 you?</p> <p>19 <b>A Yes.</b></p> <p>20 Q Do you have any ownership interest in</p> <p>21 any Quentin Ayers fund?</p> <p>22 <b>A No.</b></p> <p>23 Q Okay. Then the next highest redemption</p> <p>24 payable is this entity called SS Holdings; do you</p> <p>25 see that?</p>	<p>314</p> <p>1 Q And --</p> <p>2 <b>A But it -- but I didn't know -- I didn't</b></p> <p>3 <b>know the amount or specifically what kind of</b></p> <p>4 <b>interest.</b></p> <p>5 Q Okay.</p> <p>6 And you knew that they -- you</p> <p>7 knew that they -- did you believe they ever</p> <p>8 disposed of that interest?</p> <p>9 <b>A I didn't have awareness. But I -- at</b></p> <p>10 <b>some point, I was made aware they had some</b></p> <p>11 <b>interest.</b></p> <p>12 MR. CLUBOK: Let's turn to Exhibit 28</p> <p>13 that was previously used in this deposition. It</p> <p>14 was at tab 8.</p> <p>15 REMOTE TECH: Stand by.</p> <p>16 MR. CLUBOK: Exhibit 28 has the org</p> <p>17 structures that we previously discussed for SAS</p> <p>18 and for Sentinel Reinsurance.</p> <p>19 REMOTE TECH: One moment. I'm</p> <p>20 double-checking that I have the correct file. You</p> <p>21 said it was --</p> <p>22 MR. CLUBOK: It is Exhibit 28 in this</p> <p>23 deposition. It was previously tab 8, but it is</p> <p>24 Exhibit 28.</p> <p>25 REMOTE TECH: Okay. I found it. One</p>
<p>313</p> <p>1 <b>A Yes.</b></p> <p>2 Q What is SS Holdings?</p> <p>3 <b>A I don't know.</b></p> <p>4 Q It says there is a \$32.8 million</p> <p>5 payable to SS Holdings; do you see that?</p> <p>6 <b>A Yes.</b></p> <p>7 Q SS Holdings relates to Sentinel</p> <p>8 Insurance, correct?</p> <p>9 <b>A I don't know that.</b></p> <p>10 Q There -- Sentinel Insurance -- Sentinel</p> <p>11 Reinsurance had a, roughly, \$32 million interest</p> <p>12 in Multi Strat following the insurance policy</p> <p>13 transaction; isn't that true?</p> <p>14 <b>A I don't know that. I mean, I did know</b></p> <p>15 <b>that at the time of this.</b></p> <p>16 Q You knew that Sentinel Reinsurance had</p> <p>17 a, roughly, \$32 million redemption payable in</p> <p>18 connection with Multi Strat at some point,</p> <p>19 correct?</p> <p>20 <b>A No.</b></p> <p>21 Q You knew that Sentinel Reinsurance had</p> <p>22 a significant interest in Multi Strat at some</p> <p>23 point, correct?</p> <p>24 <b>A Significant -- I knew it -- at some</b></p> <p>25 <b>point, I knew it had an interest in Multi Strat.</b></p>	<p>315</p> <p>1 moment.</p> <p>2 Exhibit 28 is back on screen.</p> <p>3 BY MR. CLUBOK:</p> <p>4 Q We previously showed you Exhibit 28</p> <p>5 and, in particular, the last page, which showed</p> <p>6 the Sentinel structure as of April 2019. And I</p> <p>7 have just zoomed it up a little bit.</p> <p>8 And, again, you are the USP2 here that</p> <p>9 ultimately has about 70 percent of value in</p> <p>10 Sentinel, correct?</p> <p>11 <b>A I assume so. I don't know. I have</b></p> <p>12 <b>never seen this -- I never saw this before two</b></p> <p>13 <b>days ago.</b></p> <p>14 Q Okay. But the only two human beings on</p> <p>15 the planet that you are aware of that have any</p> <p>16 substantial interest in Sentinel Reinsurance are</p> <p>17 Scott Ellington and you, correct?</p> <p>18 <b>A Yeah. As far as I know, yes.</b></p> <p>19 Q And Scott Ellington has a, roughly, 30</p> <p>20 percent interest and you have a, roughly, 70</p> <p>21 percent interest, to the best of your knowledge,</p> <p>22 as you sit here today, correct?</p> <p>23 <b>A Yes.</b></p> <p>24 Q Okay. So on this org chart of Sentinel</p> <p>25 Reinsurance, where it shows USP2 has 70 percent</p>



Conducted on May 12, 2021

<p>316</p> <p>1 value and a 91 percent vote, in this complicated</p> <p>2 org chart, almost near the bottom, you see</p> <p>3 SS Holdings, Limited, correct?</p> <p>4 <b>A Yes.</b></p> <p>5 Q Okay. Does that ring a bell that</p> <p>6 SS Holdings is connected to Sentinel Reinsurance?</p> <p>7 <b>A Again, not to me. I wasn't aware of</b></p> <p>8 <b>this structure and I have never seen it before, so</b></p> <p>9 <b>I wasn't aware of it when I sent you settlement</b></p> <p>10 <b>stuff a year and a half ago, or whatever.</b></p> <p>11 Q Did you know what SS was when you</p> <p>12 sent the -- sorry.</p> <p>13 Did you say you sent the settlement</p> <p>14 stuff a year ago to me?</p> <p>15 <b>A Well, when I -- the settlement stuff</b></p> <p>16 <b>seven months ago, whenever it was.</b></p> <p>17 Q Okay.</p> <p>18 <b>A Whenever it would have been in the</b></p> <p>19 <b>last --</b></p> <p>20 Q And when you sent that, did you know --</p> <p>21 did you know what SS -- did you have any idea what</p> <p>22 SS Holdings were?</p> <p>23 <b>A I had no idea.</b></p> <p>24 Q And you represented that SS Holdings</p> <p>25 was a wholly third party, correct?</p>	<p>318</p> <p>1 the WiFi to go out.</p> <p>2 MR. CLUBOK: Oh, that's okay. But you</p> <p>3 are -- do you need to go off the record?</p> <p>4 MR. TAYLOR: Yes, please.</p> <p>5 MR. CLUBOK: All right. Let's go off</p> <p>6 the record.</p> <p>7 THE VIDEOGRAPHER: Off record, 10:31.</p> <p>8 (A recess was taken.)</p> <p>9 THE VIDEOGRAPHER: On record, 10:40.</p> <p>10 BY MR. CLUBOK:</p> <p>11 Q Okay. We've got on the screen Exhibit</p> <p>12 35, which is an e-mail from Tara Loiben to Helen</p> <p>13 Kim; subject, "Here is my signed document</p> <p>14 Assignment Agreement - PNotes - CLO Holdco," dated</p> <p>15 August 14, 2017 at approximately 5:07.</p> <p>16 Do you see this?</p> <p>17 <b>A Yes.</b></p> <p>18 Q And Tara Loiben was your executive</p> <p>19 assistant at the time?</p> <p>20 <b>A Yes.</b></p> <p>21 Q Does she still work for you?</p> <p>22 <b>A Yes.</b></p> <p>23 Q So she is now at that office that</p> <p>24 you're in?</p> <p>25 <b>A Yes.</b></p>
<p>317</p> <p>1 <b>A I had no idea what it was. And as far</b></p> <p>2 <b>as I knew --</b></p> <p>3 Q Right. And at the time -- at the time</p> <p>4 when we asked you whether SS was in any way</p> <p>5 related, you said, like Quentin Ayers, it was a</p> <p>6 completely third party?</p> <p>7 <b>A I -- if I said that, that was my belief</b></p> <p>8 <b>at the time, absolutely.</b></p> <p>9 Q And was that based on anything, that</p> <p>10 belief?</p> <p>11 <b>A It was based on no knowledge that it</b></p> <p>12 <b>was part of this.</b></p> <p>13 Q Okay. But you had done nothing to</p> <p>14 investigate what SS Holdings was before you</p> <p>15 represented that it was a wholly third party,</p> <p>16 correct?</p> <p>17 <b>A Correct.</b></p> <p>18 MR. CLUBOK: Let's turn to what's</p> <p>19 behind tab 15. Tab 15, we will mark as Exhibit</p> <p>20 35.</p> <p>21 REMOTE TECH: Stand by.</p> <p>22 (Deposition Exhibit 35 marked for</p> <p>23 identification.)</p> <p>24 MR. TAYLOR: Andy, I am back. Sorry,</p> <p>25 we had a power loss and, therefore, that caused</p>	<p>319</p> <p>1 Q And what about Helen Kim, did she come</p> <p>2 with you?</p> <p>3 <b>A Yes.</b></p> <p>4 Q Okay. And this cover e-mail says --</p> <p>5 Tara says: "I signed the attached document.</p> <p>6 Thanks." And then it says: "Sorry Tara, Jim</p> <p>7 can't sign for Sentinel. Can you only sign for</p> <p>8 Highland CDO Holding? Thank you." And she says,</p> <p>9 "Sorry yes."</p> <p>10 Do you see that?</p> <p>11 <b>A Yes.</b></p> <p>12 Q Okay. So did you sometimes authorize</p> <p>13 your assistant to sign documents on your behalf?</p> <p>14 <b>A Yes.</b></p> <p>15 Q Would Tara have ever signed a document</p> <p>16 on your behalf without direct authorization from</p> <p>17 you?</p> <p>18 <b>A I don't believe so.</b></p> <p>19 Q Okay. That would -- okay.</p> <p>20 Let's turn to Exhibit 36, which is one</p> <p>21 of the attachments originally to this e-mail. And</p> <p>22 it says, "Assignment Agreement" between Highland</p> <p>23 CDO Opportunity Master Fund and Sentinel</p> <p>24 Reinsurance, and it is to be effective August 7,</p> <p>25 2017; do you see that?</p>



Conducted on May 12, 2021

<p>320</p> <p>1 <b>A Yes.</b></p> <p>2 Q And on this document, this was another</p> <p>3 document that consummated one of the transfers in</p> <p>4 connection with the insurance policy that we have</p> <p>5 been talking about?</p> <p>6 <b>A I believe so.</b></p> <p>7 Q And we look at the second page -- or,</p> <p>8 sorry, the third page, the signature page.</p> <p>9 And, here, it has assignor and</p> <p>10 assignee, and we have got Jim Dondero's signature</p> <p>11 for both entities, correct?</p> <p>12 <b>A Yes.</b></p> <p>13 Q And as we noted before in Exhibit 34,</p> <p>14 someone pointed out -- Helen Kim pointed out to</p> <p>15 Tara that "Jim can't sign for Sentinel." So, now,</p> <p>16 let's look at Exhibit 37, please. Exhibit 37 is</p> <p>17 an e-mail document that's dated a few minutes</p> <p>18 later from Helen Kim on August 14, 2017. It is</p> <p>19 now 5:29, according to this e-mail, and it has got</p> <p>20 several attachments, including Sentinel -- it</p> <p>21 says, "Sentinel (executed), CDO Holdco (executed),</p> <p>22 CDO Fund - Dugaboy, Survios (executed)."</p> <p>23 It says: "Attached are the docs signed</p> <p>24 by JD. I'm waiting on the Dugaboy sign from Nancy</p> <p>25 Dondero."</p>	<p>322</p> <p>1 agreement between Highland CDO Holding Company and</p> <p>2 Sentinel Reinsurance, where it also refers to the</p> <p>3 asset purchase agreement that was executed in</p> <p>4 connection with the insurance policy.</p> <p>5 Do you see that?</p> <p>6 <b>A Yes.</b></p> <p>7 Q And on the next page, or two pages</p> <p>8 later, it shows you signing on behalf of Highland</p> <p>9 CDO Holding Company as the assignor, correct?</p> <p>10 <b>A Yes.</b></p> <p>11 Q And, again, there is a blank for</p> <p>12 Sentinel Reinsurance, right?</p> <p>13 <b>A Yes.</b></p> <p>14 Q And you authorized -- you either signed</p> <p>15 this or authorized your assistant to sign on your</p> <p>16 behalf; is that correct?</p> <p>17 <b>A Yes.</b></p> <p>18 Q And you had the authority to do that at</p> <p>19 the time on behalf of Highland CDO Holding</p> <p>20 Company?</p> <p>21 <b>A Yes, I believe so.</b></p> <p>22 Q Okay. Continuing to the next</p> <p>23 attachment to what's been marked as Exhibit 37,</p> <p>24 we -- there is a purchase agreement that has the</p> <p>25 seller, CDO Opportunity Master Fund, and you</p>
<p>321</p> <p>1 Do you see that?</p> <p>2 <b>A Yes.</b></p> <p>3 Q And then if we look at page 4 -- or we</p> <p>4 see that attached here is the same assignment</p> <p>5 agreement that we just saw at Exhibit 36, but now</p> <p>6 the signature page just has you signing on behalf</p> <p>7 of the assignor and a blank for Sentinel</p> <p>8 Reinsurance.</p> <p>9 Do you see that?</p> <p>10 <b>A Yes.</b></p> <p>11 Q Do you know if this -- if Sentinel</p> <p>12 Reinsurance ever signed this asset transfer</p> <p>13 agreement?</p> <p>14 <b>A I have no idea, but they -- I would</b></p> <p>15 <b>have expected, but I have no idea.</b></p> <p>16 Q The next document -- so, again, Exhibit</p> <p>17 37 is an e-mail and it mentions several</p> <p>18 attachments. The first is this assignment</p> <p>19 agreement that is between Highland CDO Opportunity</p> <p>20 Master Fund and Sentinel Reinsurance that you had</p> <p>21 previously -- or your assistant had previously</p> <p>22 signed your name to both the assignor and the</p> <p>23 assignee, and now there is a version with just you</p> <p>24 signing it.</p> <p>25 The next attachment is an assignment</p>	<p>323</p> <p>1 signed on their behalf.</p> <p>2 Do you see that?</p> <p>3 <b>A Yes.</b></p> <p>4 Q And this is -- relates to 269,000</p> <p>5 shares of NexPoint Multifamily Capital Trust.</p> <p>6 Do you see that?</p> <p>7 <b>A Yes.</b></p> <p>8 Q And it says that the seller was selling</p> <p>9 to purchaser and purchaser purchases from seller</p> <p>10 the assets in accordance with the terms hereof for</p> <p>11 an aggregate purchase price of 2,693,930, to be</p> <p>12 paid for as follows: 20 percent in cash and the</p> <p>13 balance pursuant to the promissory note attached</p> <p>14 hereto.</p> <p>15 Do you see that?</p> <p>16 <b>A Yes.</b></p> <p>17 Q Did you ever obtain any cash in</p> <p>18 connection with this transaction?</p> <p>19 <b>A I'm sorry. I'm not part of the</b></p> <p>20 <b>purchase agreement, am I?</b></p> <p>21 Q Did Highland CDO Opportunity Master</p> <p>22 Fund, seller, obtain any cash in connection with</p> <p>23 this transaction, as far as you know?</p> <p>24 <b>A I don't have any specific knowledge or</b></p> <p>25 <b>reason to think it wasn't performed as stated.</b></p>

Conducted on May 12, 2021

<p>324</p> <p>1 Q Who owned Highland CDO Opportunity 2 Master Fund, or who was the beneficial owner of 3 Highland CDO Opportunity Master Fund at the time 4 of this transaction in August of 2017, as far as 5 you know?</p> <p>6 A I don't know.</p> <p>7 Q You had an economic interest in it, 8 though, right?</p> <p>9 A I don't know.</p> <p>10 Q Do you have any idea who has ever owned 11 Highland CDO Opportunity Master Fund?</p> <p>12 A In -- I don't -- Highland? I don't 13 know. I don't know.</p> <p>14 Q Okay. And Highland, you -- at some -- 15 through whatever chain, fair to say that you 16 expect you would have had some economic interest 17 in Highland CDO Opportunity Master Fund as of 18 August 7, 2017, correct?</p> <p>19 A I don't know.</p> <p>20 Q Well, Highland Capital Management would 21 certainly have had some economic interest in 22 Highland CDO Opportunity Master Fund as of August 23 7, 2017, correct?</p> <p>24 A Not necessarily. But, typically, it 25 did, but I don't know.</p>	<p>326</p> <p>1 A Again, all trades that involve 2 affiliates go through compliance. This one would 3 have been easy because they were publicly listed 4 shares at a price on the exchange on the day of 5 transfer. There wouldn't have been controversy 6 regarding the propriety of the amounts.</p> <p>7 Q Okay. By the way, is -- was Sentinel 8 Reinsurance an advisory fund or an advisory client 9 of Highland Capital Management?</p> <p>10 A I don't know.</p> <p>11 Q If there was an entity that was not an 12 advisory client of Highland Capital Management but 13 was nevertheless related to you or affiliated with 14 you, would compliance at Highland Capital 15 Management have needed to be involved?</p> <p>16 A Yes.</p> <p>17 Q Why is that?</p> <p>18 A Because it was an affiliate of me.</p> <p>19 Q Okay. So any transaction where it is 20 an affiliate of you would require compliance to 21 sign off on if you were on both sides of the 22 transaction or affiliates of you were on both 23 sides of the transaction, correct?</p> <p>24 A Yes.</p> <p>25 Q Okay. The last attachment -- or the</p>
<p>325</p> <p>1 Q Okay. There is also, here, a signature 2 for the purchaser of this asset by Governance Re, 3 Limited; do you see that?</p> <p>4 A Yep.</p> <p>5 Q So on -- and for this document, you 6 signed both of behalf of the seller, Highland CDO 7 Opportunity Master Fund through Highland Capital 8 Management and Strand, and then you sign also on 9 behalf of the purchaser, Governance Re, Limited, 10 as its sole director, correct?</p> <p>11 A Yes.</p> <p>12 Q Did you have authority to act on both 13 sides of this transaction at the time?</p> <p>14 A I believe so.</p> <p>15 Q Who gave you that authority?</p> <p>16 A Who gave me that -- I believe I'm an -- 17 MR. CLUBOK: Strike that.</p> <p>18 Q Did --</p> <p>19 A I believe I am an authorized signatory 20 or officer of both those entities, I believe.</p> <p>21 Q Did you make any effort to ensure that 22 it was compliant for you to act on both sides of 23 this transaction that's reflected in this purchase 24 agreement between Governance Re, Limited and 25 Highland CDO Opportunity Master Fund?</p>	<p>327</p> <p>1 next attachment here is a promissory note from 2 Governance Re to Highland CDO Fund. And, again, 3 you signed on behalf of Governance Re; do you see 4 that?</p> <p>5 A Yes.</p> <p>6 Q And then there is a purchase agreement 7 between Dugaboy Investment Trust and Highland CDO 8 Opportunity Master Fund, and you sign on behalf of 9 the seller, Highland CDO Opportunity Master Fund?</p> <p>10 A Yes.</p> <p>11 Q And there is no signature on behalf of 12 Dugaboy Investment Trust. You would have expected 13 the trustee to sign that?</p> <p>14 A Yes.</p> <p>15 Q Did you ever direct the trustee of 16 Dugaboy to do anything?</p> <p>17 A No.</p> <p>18 Q Do you know whether -- and that -- who 19 was the Dugaboy Investment trustee at the time?</p> <p>20 A I don't know. It would have been 21 either Grant Scott or my sister. More recently 22 it's been my sister, but I don't know at this 23 point in time.</p> <p>24 Q Is your sister currently the trustee of 25 Dugaboy Investment Trust?</p>

Conducted on May 12, 2021

<p>328</p> <p>1 <b>A Yes.</b></p> <p>2 Q What is your sister's name?</p> <p>3 <b>A Nancy.</b></p> <p>4 Q Where does she live?</p> <p>5 <b>A In Florida.</b></p> <p>6 Q Have you ever directed her in</p> <p>7 connection with anything having to do with</p> <p>8 Sentinel Reinsurance?</p> <p>9 <b>A Not that I'm aware of.</b></p> <p>10 Q Okay. And then there is a final</p> <p>11 document that relates to Dugaboy that looks like</p> <p>12 it is unsigned.</p> <p>13 If we go back to the first page of</p> <p>14 Exhibit 37, Helen Kim says: "Attached are the</p> <p>15 docs signed by JD. I'm waiting on the Dugaboy</p> <p>16 signs from Nancy Dondero."</p> <p>17 Do you see that?</p> <p>18 <b>A Yes.</b></p> <p>19 MR. TAYLOR: Just objection to clarify.</p> <p>20 You said, "signs." I believe you meant to say</p> <p>21 "sigs."</p> <p>22 MR. CLUBOK: I'm so sorry. Thank you.</p> <p>23 Q In Exhibit 37, Helen Kim says:</p> <p>24 "Attached are the docs signed by JD. I'm waiting</p> <p>25 on the Dugaboy sigs," S-I-G-S, "from Nancy</p>	<p>330</p> <p>1 Dugaboy, correct?</p> <p>2 <b>A No, I don't.</b></p> <p>3 MR. TAYLOR: Objection.</p> <p>4 <b>A I do not. I did not.</b></p> <p>5 Q Okay. Do you know if Sentinel ever</p> <p>6 hired an outside valuation firm to value the</p> <p>7 assets?</p> <p>8 <b>A I -- Highland does, and I think</b></p> <p>9 <b>Sentinel relied on the Highland marks.</b></p> <p>10 Q You think Sentinel relied on the</p> <p>11 Highland marks prior to consummating this</p> <p>12 transaction, correct?</p> <p>13 <b>A Yes.</b></p> <p>14 Q After this transaction, since the</p> <p>15 transaction, since August of 2017, do you know</p> <p>16 whether or not Sentinel has ever hired an outside</p> <p>17 valuation firm to value the assets?</p> <p>18 <b>A I don't know.</b></p> <p>19 MR. CLUBOK: Okay. Turn to tab -- to</p> <p>20 Exhibit 38, please. Exhibit 38 is a document</p> <p>21 entitled Asset Transfer Agreement, dated as of</p> <p>22 December 31, 2019.</p> <p>23 (Deposition Exhibit 38 marked for</p> <p>24 identification.)</p> <p>25 MR. CLUBOK: I'm going to blow it up.</p>
<p>329</p> <p>1 Dondero."</p> <p>2 Do you see that?</p> <p>3 <b>A Yes.</b></p> <p>4 Q And that is an e-mail to J.P. Sevilla,</p> <p>5 correct?</p> <p>6 <b>A Yes.</b></p> <p>7 Q And what that means is that she was</p> <p>8 waiting for Nancy Dondero, your sister, to sign</p> <p>9 off on the Dugaboy transactions where there were</p> <p>10 blanks that we just looked at, correct?</p> <p>11 <b>A I -- it seems logical, but I don't have</b></p> <p>12 <b>specific awareness.</b></p> <p>13 Q How did Nancy Dondero get information</p> <p>14 about this transaction?</p> <p>15 <b>A I don't know.</b></p> <p>16 Q How did Nancy Dondero make the decision</p> <p>17 as to whether or not to sign off on this</p> <p>18 transaction?</p> <p>19 <b>A I don't know.</b></p> <p>20 Q Did you ever talk to Nancy Dondero</p> <p>21 about Dugaboy in connection with this transaction?</p> <p>22 <b>A Not that I -- not that I recall.</b></p> <p>23 Q You had an understanding at the time</p> <p>24 with Nancy that she would pretty much sign</p> <p>25 anything that was put in front of her related to</p>	<p>331</p> <p>1 THE WITNESS: Yes, please.</p> <p>2 Q Okay. Do you see that?</p> <p>3 <b>A Yes.</b></p> <p>4 Q And it says the parties are Sentinel</p> <p>5 Reinsurance and Sebastian Clarke; do you see that?</p> <p>6 <b>A Yes.</b></p> <p>7 Q And it says, on December 31, 2019, the</p> <p>8 seller, that is Sentinel Reinsurance, agreed to</p> <p>9 sell certain assets to the purchaser for the</p> <p>10 consideration in this agreement.</p> <p>11 Do you see that?</p> <p>12 <b>A Yes.</b></p> <p>13 Q Were you aware of this transaction</p> <p>14 between Sentinel Reinsurance and Sebastian Clarke</p> <p>15 in approximately December of 2019?</p> <p>16 <b>A No.</b></p> <p>17 Q This would have been after you went</p> <p>18 through bankruptcy for Highland Capital</p> <p>19 Management, correct?</p> <p>20 <b>A Yes.</b></p> <p>21 Q And it -- there is a purchase price</p> <p>22 here of \$3 from purchaser to seller; do you see</p> <p>23 that?</p> <p>24 <b>A Yes.</b></p> <p>25 Q And then there is a schedule that lists</p>

Conducted on May 12, 2021

<p>332</p> <p>1 a series of assets; do you see that?</p> <p>2 <b>A Yes.</b></p> <p>3 Q Do you recognize the Dugaboy Investment</p> <p>4 Trust promissory note amongst those assets of</p> <p>5 approximately 2.4 million?</p> <p>6 <b>A Yes.</b></p> <p>7 Q And do you see where there is a CLO</p> <p>8 Holdco, Limited promissory note of approximately</p> <p>9 32.8 million?</p> <p>10 <b>A Yes.</b></p> <p>11 Q And then there are several other</p> <p>12 assets, correct?</p> <p>13 <b>A Yes.</b></p> <p>14 Q And it says all these assets were</p> <p>15 acquired the same day, August 11, 2017; do you see</p> <p>16 that?</p> <p>17 <b>A Yes.</b></p> <p>18 Q Those assets were all acquired by</p> <p>19 Sentinel Reinsurance in connection with the</p> <p>20 insurance policy issuance that we have been</p> <p>21 talking about, right?</p> <p>22 <b>A Well, it appears, but I don't know</b></p> <p>23 <b>that for sure.</b></p> <p>24 Q Okay. But we could compare this</p> <p>25 document with the schedule in the purchase</p>	<p>334</p> <p>1 <b>A No.</b></p> <p>2 Q Do you know about the Highland Park</p> <p>3 note that's noted as a Par/Face of 17 million?</p> <p>4 <b>A No. The -- I think we commented on</b></p> <p>5 <b>these before. I think Highland Park and Aberdeen</b></p> <p>6 <b>are old CLOs, tranches that would be cents on the</b></p> <p>7 <b>dollar in terms of value versus those numbers.</b></p> <p>8 <b>The Vertical ABS CDO, I believe, is a third-party</b></p> <p>9 <b>CLO.</b></p> <p>10 Q Is that worth cents on the dollar or is</p> <p>11 that money good right now?</p> <p>12 <b>A No, well, they are all cents on the</b></p> <p>13 <b>dollar --</b></p> <p>14 Q What about Pam Cap FTG?</p> <p>15 <b>A That is a very old CLO, and that would</b></p> <p>16 <b>be literally a couple, few cents on the dollar.</b></p> <p>17 Q Okay. You wouldn't expect, though, the</p> <p>18 CLO Holdco note to be cents on the dollar, would</p> <p>19 you?</p> <p>20 <b>A It shouldn't be.</b></p> <p>21 Q Okay. Sebastian Clarke is an entity</p> <p>22 that's ultimately -- that you have economic</p> <p>23 interest in, correct?</p> <p>24 <b>A I have never heard of Sebastian Clarke</b></p> <p>25 <b>before unless you refresh or educate me.</b></p>
<p>333</p> <p>1 agreement to confirm that. But it certainly --</p> <p>2 from a quick glance, it appears that's to be the</p> <p>3 case, correct?</p> <p>4 <b>A It appears, yes.</b></p> <p>5 Q And do you have any idea, is the</p> <p>6 Dugaboy Investment -- does Dugaboy currently have</p> <p>7 the wherewithal to pay off its promissory note</p> <p>8 that's reflected here in Exhibit 38?</p> <p>9 <b>A Yeah, it has the solvency. I don't</b></p> <p>10 <b>know about the liquidity on a day-to-day basis.</b></p> <p>11 Q Okay. But it has solvency such that it</p> <p>12 can make good on this \$2.399 million promissory</p> <p>13 note that is reflected in the assets that were</p> <p>14 sold pursuant to this agreement on December 31,</p> <p>15 2019, correct?</p> <p>16 <b>A Yes.</b></p> <p>17 Q And does CLO Holdco have the</p> <p>18 wherewithal to pay off the, roughly, \$32.8 million</p> <p>19 promissory note that's reflected here?</p> <p>20 <b>A I don't know. The doc overall has</b></p> <p>21 <b>solvency well beyond 32 million, but I don't know</b></p> <p>22 <b>about CL -- CLO Holdco.</b></p> <p>23 Q Do you know about the value of the</p> <p>24 Vertical ABS CDO 2.00 that's reflected here, has a</p> <p>25 Par/Face, 11 million?</p>	<p>335</p> <p>1 MR. CLUBOK: Let's go to -- what was</p> <p>2 it? Tab 6?</p> <p>3 REMOTE TECH: Is that Exhibit 39?</p> <p>4 MR. CLUBOK: Sorry. Sorry. Tab 8,</p> <p>5 Exhibit 28. Back to Exhibit 28.</p> <p>6 Q Exhibit 28 had the charts for SAS and</p> <p>7 Sentinel. And you can see in the SAS chart,</p> <p>8 Sebastian Clarke is identified as one of the</p> <p>9 entities that rolls up to SAS, or did roll up to</p> <p>10 SAS as of the date of this chart.</p> <p>11 Do you see that?</p> <p>12 <b>A Yes.</b></p> <p>13 Q And you have an economic interest in</p> <p>14 the SAS entity, correct?</p> <p>15 <b>A Participation interest, right? Anyway,</b></p> <p>16 <b>but yes.</b></p> <p>17 MR. CLUBOK: All right. I think that's</p> <p>18 all I have for now. Let's go off the record.</p> <p>19 THE VIDEOGRAPHER: Off record, 11</p> <p>20 o'clock.</p> <p>21 (A recess was taken.)</p> <p>22 THE VIDEOGRAPHER: On the record,</p> <p>23 11:06.</p> <p>24 MR. CLUBOK: If we could, put up</p> <p>25 Exhibit 2, Schedule A, please.</p>

Conducted on May 12, 2021

<p>336</p> <p>1 Q Exhibit 2 was the purchase agreement in 2 connection with the legal liability insurance 3 policy that we have been discussing. 4 And as you know, Schedule A is a 5 two-page document that lists all the assets that 6 were transferred in connection with the purchase 7 of that policy, correct, Mr. Dondero? 8 A Yes. 9 Q My question is -- and I think you said 10 that you have -- sitting here today, you have no 11 idea what the value of any of these assets are 12 today, correct? 13 A Correct. 14 Q Other than with respect to the 15 promissory notes, you have testified that you 16 believe that various entities we have talked about 17 have the capacity to pay the -- to the extent you 18 have testified; is that fair? 19 A Yes. 20 Q Okay. So my only other question is: 21 Do you know if any of these assets have ever 22 generated cash since they were transferred? 23 And I'll give you a chance to just look 24 over Schedule A, the first page. And tell me when 25 you're ready, and I'll move to the second page.</p>	<p>338</p> <p>1 would expect to have generated cash? 2 A The Valhalla and the Vertical. 3 Q Okay. And I -- the ones that are 4 marked Valhalla CLO, Limited and Vertical ABS CDO 5 were two other assets that you would have expected 6 to generate cash after the time they were 7 transferred? 8 A Yes. 9 Q Okay. Anything else? 10 A So I don't know what the Cambridge note 11 is, so I -- some of these -- yeah, that -- well, 12 that's it on that page that I would comment on. 13 Q And, again, with those last two, you 14 don't know how much cash you would have expected 15 to generate when you authorized their transfer as 16 part of the insurance policy, correct? 17 A That's right. 18 Q So on the second page, any assets that 19 you would have expected to generate cash when you 20 transferred the assets? 21 A Under Special Opportunities Fund, 22 everything there other than -- everything other 23 than Touse, I would have expected to generate some 24 cash. The -- 25 Q Okay. So Delphi Corp., Longstreet and</p>
<p>337</p> <p>1 A Yeah, I would expect that some of the 2 CLOs would have generated some cash. 3 Q Which ones on page 1? 4 A I would have expected the first six to 5 generate cash. 6 Q Okay. So you would have expected the 7 Aberdeen, the two South Forks, the other Aberdeen, 8 the GSC and the Greenbriar -- 9 A Yes. 10 Q -- that are all listed at the top of 11 Schedule A to generate cash since the time they 12 were transferred? 13 A Yes. 14 Q Do you expect that some of them are 15 still continuing to generate cash? 16 A I don't know, but I would have expected 17 them to generate some cash, but I don't know if 18 they currently are. 19 Q And do you have any idea how much cash 20 you would have expected them to generate when you 21 authorized their transfer as part of the insurance 22 policy premium? 23 A I don't know. 24 Q Anything else on Schedule A here? 25 Looking down, do you see any other assets that you</p>	<p>339</p> <p>1 Vertical ABS CDO 2 and the 144A, you would have 2 all expected to generate cash? 3 A Yeah. I think that -- I think the 4 Vertical and the -- I think that the -- that looks 5 to be a repeat. It looks like it is 5 million, 6 but it was repeated twice. That's what it looks 7 like there, but -- 8 Q Okay. 9 A But anyway -- 10 Q But those entries are ones that you 11 would have expected to generate cash subsequent to 12 the transfer, right? 13 A Yeah. And then going back -- 14 Q But, again, you have no idea how much 15 cash, correct? 16 A Yeah, going back above, I would say the 17 Stratford CLO also. 18 Q Okay. The Stratford CLO listed under 19 Highland CDO Holdings Company -- 20 A Yeah. 21 Q -- is another asset that you would have 22 expected to generate cash subsequent to the 23 transfer, correct? 24 A Yes. 25 Q And you don't know the amount?</p>



Conducted on May 12, 2021

<p>340</p> <p>1 <b>A No.</b></p> <p>2 Q And then in terms of the tax refund</p> <p>3 receivable from Highland Capital, would you have</p> <p>4 expected that to be paid in full?</p> <p>5 <b>A I have no awareness on the details on</b></p> <p>6 <b>that.</b></p> <p>7 Q And the dividends receivable from</p> <p>8 Highland Capital in August of 2017, would you have</p> <p>9 expected that to have been paid in full?</p> <p>10 <b>A I have no awareness of the details on</b></p> <p>11 <b>that.</b></p> <p>12 MR. CLUBOK: Okay. That's all I have</p> <p>13 subject to Mr. Taylor's questions.</p> <p>14 EXAMINATION BY COUNSEL FOR NON-PARTY WITNESS</p> <p>15 BY MR. TAYLOR:</p> <p>16 Q Jim, you're appearing here today</p> <p>17 pursuant to a subpoena that was issued to you,</p> <p>18 correct?</p> <p>19 <b>A Yes.</b></p> <p>20 Q Are you -- you're not the plaintiff in</p> <p>21 this action, are you?</p> <p>22 <b>A No.</b></p> <p>23 Q You're not a defendant in this action,</p> <p>24 are you?</p> <p>25 <b>A No.</b></p>	<p>342</p> <p>1 record.</p> <p>2 (Time noted: 1:12 p.m.)</p> <p>3 THE COURT REPORTER: Counsel, do you</p> <p>4 want to keep the same order from the first</p> <p>5 deposition of Mr. Dondero?</p> <p>6 MR. CLUBOK: Yes, please.</p> <p>7 MR. FEINSTEIN: Yes.</p> <p>8 MR. TAYLOR: Yes.</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p>341</p> <p>1 Q You're not a third-party defendant in</p> <p>2 this action, are you?</p> <p>3 <b>A I don't believe so.</b></p> <p>4 Q In fact, you're not a party at all in</p> <p>5 this litigation, are you?</p> <p>6 <b>A No.</b></p> <p>7 Q But for the subpoena, you would not</p> <p>8 have appeared in this -- for this deposition,</p> <p>9 correct?</p> <p>10 <b>A Correct.</b></p> <p>11 MR. TAYLOR: Okay. I have no further</p> <p>12 questions.</p> <p>13 MR. CLUBOK: Perfect. Neither do I.</p> <p>14 Thank you very much, Mr. Taylor. Looks like we</p> <p>15 got done just in the nick of time.</p> <p>16 THE VIDEOGRAPHER: Anything else before</p> <p>17 we close?</p> <p>18 MR. CLUBOK: Oh, I should ask, anything</p> <p>19 from Highland Capital?</p> <p>20 MR. FEINSTEIN: No, thank you.</p> <p>21 THE VIDEOGRAPHER: Anything else?</p> <p>22 MR. CLUBOK: Okay.</p> <p>23 THE VIDEOGRAPHER: Mr. Clubok?</p> <p>24 The time is 1:12. This concludes the</p> <p>25 deposition of James Dondero. We are off the</p>	<p>343</p> <p>1</p> <p>2 ACKNOWLEDGMENT OF DEPONENT</p> <p>3</p> <p>4 I, JAMES DONDERO, do hereby acknowledge</p> <p>5 that I have read and examined the foregoing</p> <p>6 testimony, and the same is a true, correct and</p> <p>7 complete transcription of the testimony given by</p> <p>8 me and any corrections appear on the attached</p> <p>9 Errata sheet signed by me.</p> <p>10</p> <p>11 _____</p> <p>12 (Date) (Signature)</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>



Conducted on May 12, 2021

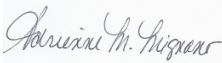
344

## 1 CERTIFICATE OF REPORTER - NOTARY PUBLIC

2 I, ADRIENNE MIGNANO, the officer before  
3 whom the foregoing deposition was taken, do hereby  
4 certify that the foregoing transcript is a true  
5 and correct record of the testimony given; that  
6 said testimony was taken by me and thereafter  
7 reduced to typewriting under my direction; that  
8 reading and signing was requested; and that I am  
9 neither counsel for, related to, nor employed by  
10 any of the parties to this case and have no  
11 interest, financial or otherwise, in its outcome.

12 IN WITNESS WHEREOF, I have hereunto set  
13 my hand and affixed my notarial seal this 18th day  
14 of MAY, 2021.

15 My Commission Expires: June 2022.

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